

FY 97 USE OF CUSHIONS
AHERF - Delaware Valley Obligated Group
(\$000's)

	Graduate Cushions taken into Income	Other	Total
AUH:			
MCP	\$5,000	\$1,600	6,600
Elkins Park	4,000	300	4,300
Bucks County	1,300	-	1,300
Hahnemann	15,000	1,500	16,500
Management Services		-	-
Total AUH	25,300	3,400	28,700
St. Christopher's	2,159	2,700	4,859
AUHS	1,400	4,000	5,400
Total DVOG	\$28,859	\$10,100	\$38,959

CUSHIONS AVAILABLE FOR FY 98
AHERF - Delaware Valley Obligated Group
(\$000's)

	Hamot Restricted Monies	FY 98 Advertising Campaign	Writeoff of Feinstein & SHSH Buildings	Total
MCP	\$	\$	\$	\$
EPH				-
BCH				-
HH			(2,592)	(2,592)
Total AUH	-	-	(2,592)	(2,592)
SCHC		1,000		1,000
AUHS	1,000			1,000
	\$ 1,000	\$ 1,000	\$ (2,592)	\$ (592)

DELAWARE VALLEY OBLIGATED GROUP
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$624,438	(\$23,159)	\$601,279	\$639,027	(\$37,748)
Outpatient	167,494	(4,300)	163,194	155,427	7,767
Physician Services	165,011	(5,000)	160,011	172,465	(12,454)
Educational Services	64,434	-	64,434	59,963	4,471
Sponsored Projects	66,077	-	66,077	69,864	(3,787)
Assets Released from Restriction	7,746	-	7,746	3,381	4,365
Investment Income	17,761	-	17,761	4,065	13,696
Other	118,427	(1,200)	117,227	111,696	5,531
Total Revenue	1,231,388	(33,659)	1,197,729	1,215,888	(18,159)
Expenses:					
Salaries, Wages and Fees	548,872	-	548,872	547,282	(1,590)
Fringe Benefits	111,473	-	111,473	114,484	3,011
Patient Care Supplies	113,693	900	114,593	108,232	(6,361)
Purchased Services	150,356	300	150,656	132,760	(17,896)
Support & Contract Costs	71,470	-	71,470	76,485	5,015
Administrative and General	130,248	4,100	134,348	116,869	(17,479)
Depreciation and Amortization	57,099	-	57,099	55,872	(1,227)
Interest	24,365	-	24,365	28,175	3,810
Total Expenses	1,207,576	5,300	1,212,876	1,180,159	(32,717)
Excess/(Deficiency) of Revenue Over Expenses	\$23,812	(\$38,959)	(\$15,147)	\$35,729	(\$50,876)

MCP
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$182,036	(\$3,000)	\$179,036	\$175,305	\$3,731
Outpatient	34,043	(2,000)	32,043	36,337	(4,294)
Physician Services	1,625	-	1,625	1,752	(127)
Educational Services	2	-	2	-	2
Sponsored Projects	1,350	-	1,350	2,182	(832)
Assets Released from Restriction	49	-	49	12	37 ^o
Investment Income	468	-	468	551	(83)
Other	9,604	(1,200)	8,404	7,783	621
Total Revenue	229,177	(6,200)	222,977	223,922	(945)
Expenses:					
Salaries, Wages and Fees	85,347	-	85,347	88,132	2,785
Fringe Benefits	22,934	-	22,934	22,673	(261)
Patient Care Supplies	27,160	400	27,560	28,713	1,153
Purchased Services	37,419	-	37,419	34,092	(3,327)
Support & Contract Costs	5,971	-	5,971	4,654	(1,317)
Administrative and General	24,905	-	24,905	23,247	(1,658)
Depreciation and Amortization	10,383	-	10,383	10,904	521
Interest	3,377	-	3,377	3,851	474
Total Expenses	217,496	400	217,896	216,266	(1,630)
Excess/(Deficiency) of Revenue Over Expenses	\$11,681	(\$6,600)	\$5,081	\$7,656	(\$2,575)

ELKINS PARK
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$37,594	(\$2,000)	\$35,594	\$37,869	(\$2,275)
Outpatient	23,541	(2,000)	21,541	19,699	1,842
Physician Services	162	-	162	120	42
Educational Services	134	-	134	123	11
Sponsored Projects	-	-	-	-	-
Assets Released from Restriction	18	-	18	1	17
Investment Income	25	-	25	459	(434)
Other	652	-	652	779	(127)
Total Revenue	62,126	(4,000)	58,126	59,050	(924)
Expenses:					
Salaries, Wages and Fees	22,340	-	22,340	21,789	(551)
Fringe Benefits	4,873	-	4,873	4,746	(127)
Patient Care Supplies	6,207	-	6,207	5,370	(837)
Purchased Services	6,535	300	6,835	7,100	265
Support & Contract Costs	6,210	-	6,210	5,816	(394)
Administrative and General	4,865	-	4,865	4,309	(556)
Depreciation and Amortization	3,193	-	3,193	3,193	-
Interest	5,131	-	5,131	3,901	(1,230)
Total Expenses	59,354	300	59,654	56,224	(3,430)
Excess/(Deficiency) of Revenue Over Expenses	\$2,772	(\$4,300)	(\$1,528)	\$2,826	(\$4,354)

BUCKS COUNTY
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$30,218	(\$1,000)	\$29,218	\$30,057	(\$839)
Outpatient	21,372	(300)	21,072	18,825	2,247
Physician Services	3	-	3	60	(57)
Educational Services	17	-	17	12	5
Sponsored Projects	-	-	-	-	-
Assets Released from Restriction	15	-	15	-	15
Investment Income	7	-	7	172	(165)
Other	947	-	947	840	107
Total Revenue	52,579	(1,300)	51,279	49,966	1,313
Expenses:					
Salaries, Wages and Fees	18,582	-	18,582	18,353	(229)
Fringe Benefits	4,058	-	4,058	4,130	72
Patient Care Supplies	5,124	-	5,124	4,380	(744)
Purchased Services	5,799	-	5,799	6,582	783
Support & Contract Costs	4,436	-	4,436	4,080	(356)
Administrative and General	5,356	-	5,356	5,206	(150)
Depreciation and Amortization	3,285	-	3,285	3,285	-
Interest	1,871	-	1,871	1,429	(442)
Total Expenses	48,511	-	48,511	47,445	(1,066)
Excess/(Deficiency) of Revenue Over Expenses	\$4,068	(\$1,300)	\$2,768	\$2,521	\$247

HAHNEMANN
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$275,901	(\$15,000)	\$260,901	\$286,162	(\$25,261)
Outpatient	54,198	-	54,198	51,083	3,115
Physician Services	-	-	-	-	-
Educational Services	-	-	-	-	-
Sponsored Projects	3,706	-	3,706	3,497	209
Assets Released from Restriction	(1)	-	(1)	-	(1)
Investment Income	6,501	-	6,501	797	5,704
Other	7,067	-	7,067	6,680	387
Total Revenue	347,372	(15,000)	332,372	348,219	(15,847)
Expenses:					
Salaries, Wages and Fees	127,140	-	127,140	132,318	5,178
Fringe Benefits	33,560	-	33,560	34,386	826
Patient Care Supplies	57,421	500	57,921	54,886	(3,035)
Purchased Services	36,748	-	36,748	33,056	(3,692)
Support & Contract Costs	26,141	-	26,141	25,290	(851)
Administrative and General	25,789	1,000	26,789	23,178	(3,611)
Depreciation and Amortization	18,803	-	18,803	17,701	(1,102)
Interest	9,547	-	9,547	11,340	1,793
Total Expenses	335,149	1,500	336,649	332,155	(4,494)
Excess/(Deficiency) of Revenue Over Expenses	\$12,223	(\$16,500)	(\$4,277)	\$16,064	(\$20,341)

MANAGEMENT SERVICES
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	-	-	-	-	-
Outpatient	-	-	-	-	-
Physician Services	-	-	-	-	-
Educational Services	-	-	-	-	-
Sponsored Projects	-	-	-	-	-
Assets Released from Restriction	-	-	-	-	-
Investment Income	-	-	-	-	-
Other	\$5,106	-	\$5,106	\$5,519	(413)
Total Revenue	5,106	-	5,106	5,519	(413)
Expenses:					
Salaries, Wages and Fees	14,988	-	14,988	11,101	(3,887)
Fringe Benefits	2,690	-	2,690	2,219	(471)
Patient Care Supplies	94	-	94	95	1
Purchased Services	14,083	-	14,083	8,988	(5,095)
Support & Contract Costs	(36,559)	-	(36,559)	(27,573)	8,986
Administrative and General	5,091	-	5,091	3,957	(1,134)
Depreciation and Amortization	6,312	-	6,312	6,312	-
Interest	(1,593)	-	(1,593)	420	2,013
Total Expenses	5,106	-	5,106	5,519	413
Excess/(Deficiency) of Revenue Over Expenses	-	-	-	-	-

ST. CHRISTOPHER'S
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	\$98,689	(\$2,159)	\$96,530	\$109,634	(\$13,104)
Outpatient	34,340	-	34,340	29,483	4,857
Physician Services	-	-	-	-	-
Educational Services	791	-	791	791	-
Sponsored Projects	2,111	-	2,111	1,991	120
Assets Released from Restriction	911	-	911	490	421
Investment Income	4,665	-	4,665	556	4,109
Other	6,720	-	6,720	\$7,707	(987)
Total Revenue	<u>148,227</u>	<u>(2,159)</u>	<u>146,068</u>	<u>150,652</u>	<u>(4,584)</u>
Expenses:					
Salaries, Wages and Fees	55,158	-	55,158	58,370	3,212
Fringe Benefits	10,883	-	10,883	10,578	(305)
Patient Care Supplies	14,088	-	14,088	12,617	(1,471)
Purchased Services	20,741	-	20,741	21,823	1,082
Support & Contract Costs	15,204	-	15,204	15,330	126
Administrative and General	13,297	2,700	15,997	12,523	(3,474)
Depreciation and Amortization	7,833	-	7,833	7,819	(14)
Interest	2,740	-	2,740	4,090	1,350
Total Expenses	<u>139,944</u>	<u>2,700</u>	<u>142,644</u>	<u>143,150</u>	<u>506</u>
Excess/(Deficiency) of Revenue Over Expenses	<u>\$8,283</u>	<u>(\$4,859)</u>	<u>\$3,424</u>	<u>\$7,502</u>	<u>(\$4,078)</u>

ALLEGHENY UNIVERSITY FOR THE HEALTH SCIENCES
STATEMENT OF REVENUE AND EXPENSES
for the year ended June 30, 1997
(Dollars in Thousands)

	Actual	Use of Cushions	Actual Excluding Cushions Used in FY 97	FY 97 Budget	Variance
Revenue:					
Inpatient	-	-	-	-	-
Outpatient	-	-	-	-	-
Physician Services	\$163,221	(\$5,000)	\$158,221	\$170,533	(12,312)
Educational Services	63,490	-	63,490	59,037	4,453
Sponsored Projects	58,910	-	58,910	62,194	(3,284)
Assets Released from Restriction	6,754	-	6,754	2,878	3,876
Investment Income	6,095	-	6,095	1,530	4,565
Other	88,331	-	88,331	\$82,388	5,943
Total Revenue	386,801	(5,000)	381,801	378,560	3,241
Expenses:					
Salaries, Wages and Fees	225,317	-	225,317	217,219	(8,098)
Fringe Benefits	32,475	-	32,475	35,752	3,277
Patient Care Supplies	3,599	-	3,599	2,171	(1,428)
Purchased Services	29,031	-	29,031	21,119	(7,912)
Support & Contract Costs	50,067	-	50,067	48,888	(1,179)
Administrative and General	50,945	400	51,345	44,449	(6,896)
Depreciation and Amortization	7,290	-	7,290	6,658	(632)
Interest	3,292	-	3,292	3,144	(148)
Total Expenses	402,016	400	402,416	379,400	(23,016)
Excess/(Deficiency) of Revenue Over Expenses	(\$15,215)	(\$4,600)	(\$20,615)	(\$840)	(\$19,775)

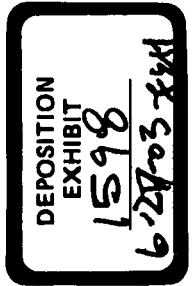
EXHIBIT 1598

NET PATIENT SERVICE REVENUE SUMMARY
AHERF
(\$000's)

	FY98 1st Quarter						FY97 4th Quarter					
	I/P	I/P Cushion	O/P	O/P Cushion	Profee	Total	I/P	I/P Cushion	O/P	O/P Cushion	Profee	Total
AGH	\$87,535	-	\$28,860	-	\$265	\$116,660	\$89,895	-	\$28,066	-	\$139	\$118,100
FH	23,375	\$750 *	12,073	-	-	36,198	22,960	\$2,250 *	12,326	-	-	37,536
AVH	10,628	1,015 *	6,821	-	-	18,464	9,205	3,010 *	8,924	-	-	21,139
CH	3,576	-	3,298	-	-	6,874	-	-	-	-	-	-
MCPH	39,473	2,969	6,697	\$1,345	927	51,411	43,100	3,000	6,995	\$2,000	383	55,478
EPH	6,769	634	3,317	1,840	39	12,599	7,554	2,000	5,295	2,000	48	16,897
BCH	6,727	638	3,017	2,992	-	13,374	6,813	1,000	5,544	300	-	13,657
HH	54,619	5,485	10,126	3,074	28	73,332	58,376	15,000	13,038	-	-	86,414
SCHC	23,251	1,123	7,026	3,136	-	34,536	23,075	2,159	8,278	-	-	33,512
GH	32,523	-	12,336	-	-	44,859	18,922	13,400	8,281	-	-	40,603
MSH	6,047	-	212	-	236	6,495	4,683	-	312	-	-	4,995
PH	7,707	-	2,792	-	-	10,499	5,591	554	1,898	-	-	8,043
CAH	13,594	-	1,762	-	12	15,368	7,749	1,678	1,679	-	-	11,106
AHGH	-	-	-	-	43,430	43,430	-	-	-	-	41,409	41,409
AUHS	-	-	-	-	51,843	51,843	-	-	-	-	45,617	45,617
AUH, New Jersey	10,174	-	8,090	-	-	18,264	8,272	3,000	5,427	-	-	16,699
	<u>\$325,998</u>	<u>\$12,614</u>	<u>\$106,427</u>	<u>\$12,387</u>	<u>\$96,780</u>	<u>\$554,206</u>	<u>\$306,195</u>	<u>\$47,051</u>	<u>\$106,063</u>	<u>\$4,300</u>	<u>\$87,596</u>	<u>\$551,205</u>

*M/C Recapture

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INPATIENT SERVICE REVENUE ANALYSIS

	INPATIENT REVENUE											
	AGH	PH	AVR	CH	AUMC Total	MCPH	EPH	BCR	HH	AUH Total	SCHC	GH
April	\$27,198	\$7,611	\$2,768	-	\$10,379	\$15,457	\$3,101	\$2,703	\$22,778	\$44,439	\$8,482	-
May	31,673	7,341	3,712	-	11,053	15,172	2,401	2,627	19,084	39,284	7,809	9,327
June	31,024	8,008	2,725	-	10,733	12,471	1,652	1,483	16,514	32,120	6,784	9,595
Cash Used	-	2,250	3,010	-	5,160	3,000	2,000	1,000	15,000	21,000	2,159	13,400
Quarter	89,895	25,210	12,215	-	37,425	46,100	9,554	7,813	73,376	136,843	25,234	32,322
July	30,473	8,065	3,896	1,206	13,167	13,050	2,400	2,253	19,642	37,345	7,421	10,809
August	29,239	7,520	3,235	1,150	11,905	13,278	2,402	1,840	17,541	35,061	7,172	10,283
September	27,833	7,790	3,497	1,220	12,307	13,145	1,967	2,634	17,436	35,182	8,658	11,431
Cash Used	-	750	1,015	-	1,765	2,969	634	638	5,485	9,726	1,123	-
Quarter	87,535	24,125	11,643	3,576	39,344	42,442	7,403	7,365	60,104	117,314	24,374	32,523

	PATIENT ADMISSIONS											
	AGH	PH	AVR	CH	AUMC Total	MCPH	EPH	BCR	HH	AUH Total	SCHC	GH
April	2,825	1,480	921	-	2,401	1,409	771	617	1,775	4,576	937	-
May	2,769	1,423	900	-	2,323	1,453	749	582	1,405	4,169	900	898
June	2,818	1,397	916	-	2,323	1,308	700	486	1,368	3,852	805	842
Quarter	8,412	4,300	2,747	-	7,047	4,170	2,220	1,685	4,552	12,607	2,642	1,740
July	2,905	1,379	853	305	2,537	1,322	717	577	1,483	4,099	792	1,031
August	2,920	1,374	803	271	2,448	1,238	626	557	1,360	3,781	849	926
September	2,839	1,357	890	320	2,567	1,120	652	595	1,483	3,850	843	950
Quarter	8,664	4,110	2,546	896	7,552	3,680	1,995	1,729	4,326	11,730	2,484	2,907

	INPATIENT REVENUE PER ADMISSIONS											
	AGH	PH	AVR	CH	AUMC Total	MCPH	EPH	BCR	HH	AUH Total	SCHC	GH
April	\$9,628	\$5,143	\$3,005	-	\$4,323	\$10,970	\$4,541	\$4,381	\$12,804	\$9,711	\$9,052	-
May	11,438	5,159	4,124	-	4,758	10,442	3,206	4,674	13,583	9,423	8,677	\$10,386
June	11,009	5,732	2,943	-	4,620	9,534	2,360	3,051	12,072	8,317	8,421	11,395
Quarter	10,687	5,340	3,351	-	4,564	10,336	3,403	4,092	12,824	9,189	8,734	10,875
July	10,490	5,848	4,567	\$3,954	5,190	9,871	3,347	3,905	13,245	9,111	9,370	10,484
August	10,010	5,473	4,029	4,244	4,863	10,725	3,837	3,303	12,898	9,273	8,448	11,105
September	9,804	5,741	3,929	3,813	4,872	11,737	3,017	4,477	11,757	9,138	10,270	12,033
Quarter	10,103	5,687	4,174	3,991	4,976	10,726	3,393	3,891	12,626	9,172	9,360	11,188

*WIC Recapture

04/27/2005

INPATIENT SERVICE REVENUE ANALYSIS

INPATIENT REVENUE																	
AGR	PH	AVH	CH	AUDC Total	MCPH	EPH	BCH	HH	AUH Total	SCHC	GH	MSH	PH	CAH	Continental Total	AUH, New Jersey	Total AHERF
April	\$27,198	\$7,611	-	\$10,379	\$15,457	\$3,501	\$2,703	\$22,778	\$44,439	\$8,482	-	-	-	-	-	-	\$90,498
May	31,673	7,341	-	11,053	15,172	2,401	2,627	19,084	35,284	7,809	\$9,327	\$2,471	\$3,018	\$3,841	\$18,657	\$5,380	113,856
June	31,024	8,008	-	10,733	12,471	1,652	1,483	16,514	32,120	6,784	9,595	2,212	2,573	3,908	18,288	2,892	101,841
Cashion Used	-	2,250 *	-	5,260	3,000	2,000	1,000	15,000	21,000	2,159	13,400	-	-	554	15,632	3,000	47,051
Quarter	89,895	25,210	-	37,425	46,100	9,554	7,813	73,376	136,843	25,234	32,322	4,683	6,145	9,427	52,577	11,272	353,246
July	30,473	8,065	\$1,206	13,167	13,050	2,400	2,223	19,542	37,345	7,421	10,809	2,305	2,782	4,663	20,559	4,151	113,116
August	29,229	7,520	1,150	11,905	13,278	2,402	1,840	17,541	35,061	7,172	10,283	2,247	2,475	4,253	19,258	2,886	105,511
September	27,833	7,790	1,220	12,507	13,145	1,967	2,634	17,436	35,182	8,658	11,431	1,495	2,450	4,678	20,054	3,137	107,371
Cashion Used	-	750 *	-	1,765	2,969	634	638	5,485	9,726	1,123	-	-	-	-	-	-	12,614
Quarter	87,535	24,125	3,576	39,344	42,442	7,403	7,355	60,104	117,314	24,374	32,523	6,047	7,707	13,594	59,871	10,174	338,612

PATIENT DAYS

AGR	PH	AVH	CH	AUDC	MCPH	EPH	BCH	HH	AUH	SCHC	GH	MSH	PH	CAH	Continental	AUH	Total
				Total					Total							New Jersey	AFHEF
April	16,439	14,373	5,501	19,874	9,585	3,971	3,214	10,834	27,614	4,165	4,521	5,115	3,031	3,284	15,051	5,495	68,992
May	16,937	14,416	5,636	20,052	9,715	3,753	3,003	9,840	26,311	4,273	4,563	4,483	3,006	3,597	15,649	5,584	84,412
June	16,892	13,792	5,393	19,185	8,119	3,303	2,556	9,481	21,491	3,611	9,084	9,598	6,037	6,881	31,600	11,079	241,523
Quarter	50,268	42,581	16,530	59,111	27,419	11,027	8,813	30,157	77,416	12,049	5,245	4,627	3,118	3,943	16,933	5,294	88,205
July	17,343	14,495	4,778	21,051	8,005	3,403	2,687	9,929	24,024	3,560	5,256	4,419	2,946	3,984	16,605	4,660	85,980
August	17,313	14,138	4,472	20,191	8,066	3,162	2,798	9,429	23,455	3,756	5,250	2,475	2,944	4,051	15,000	5,241	83,651
September	16,697	13,854	4,558	19,962	7,547	3,157	3,019	9,255	22,978	3,773	16,031	11,521	9,008	11,978	48,538	15,195	257,336
Quarter	51,353	42,487	13,808	61,204	23,618	9,722	8,504	28,613	70,457	11,089	16,031	11,521	9,008	11,978	48,538	15,195	257,336

INPATIENT REVENUE PER DAYS

AGR	PH	AVH	CH	AUDC	MCPH	EPH	BCH	HH	AUH	SCHC	GH	MSH	PH	CAH	Continental	AUH	Total
				Total					Total							New Jersey	AFHEF
April	\$1,654	\$530	\$503	\$572	\$1,613	\$882	\$838	\$2,103	\$1,609	\$2,036	\$2,083	\$483	\$996	\$1,170	\$1,170	\$979	\$1,120
May	1,870	509	659	551	1,562	640	875	1,939	1,493	1,828	2,103	493	856	1,086	1,169	518	1,779
June	1,837	581	505	559	1,536	500	573	1,741	1,367	1,879	2,083	483	926	1,126	1,169	747	1,768
Quarter	1,788	539	557	544	1,572	685	773	1,936	1,496	1,915	2,083	483	892	1,183	1,214	784	1,282
July	1,757	556	815	625	1,630	705	838	1,978	1,554	2,085	2,061	493	892	1,183	1,214	784	1,282
August	1,688	532	723	590	1,646	760	658	1,860	1,495	1,909	1,956	503	840	1,068	1,160	619	1,227
September	1,667	562	767	627	1,742	623	872	1,884	1,531	2,295	2,067	604	832	1,155	1,337	559	1,284
Quarter	1,705	550	770	614	1,671	696	791	1,909	1,527	2,097	2,029	525	856	1,135	1,233	670	1,264

*M/C Recapture

OUTPATIENT SERVICE REVENUE ANALYSIS
AHERF
(\$000's)

	AGH	FH	AVH	CH	AUMC Total	MCPH	EPH	BCH	HH	AUH Total	SCHC	GH	MSH	PH	CAH	Centennial Total	AUH, New Jersey	AHERF Total
FY97:																		
July	\$7,718	\$3,739			-	\$2,943	\$1,722	\$1,668	\$4,474	\$10,807	\$2,848					-		\$21,373
August	8,182	3,566			-	3,025	2,284	1,954	4,228	11,491	2,848					-		22,521
September	8,117	3,942			-	2,490	1,809	1,578	3,779	9,676	2,492					-		20,285
Quarter	24,017	11,247	3,026		-	8,458	5,835	5,200	12,481	31,974	8,188					-		64,179
October	8,239				-	2,258	1,724	1,795	4,878	10,655	2,894					-		21,788
November	8,207				-	2,641	1,707	1,554	5,252	11,154	3,027					-		22,388
December	7,949				-	2,829	1,784	1,646	3,975	10,234	2,566					-		20,749
Quarter	24,395				-	7,728	5,215	4,995	14,105	32,043	8,487					-		64,925
January	7,734	\$3,739			\$3,739	2,631	1,688	1,828	4,809	10,956	3,714					-		26,143
February	8,307	3,566			3,566	2,740	1,633	1,801	4,664	10,838	2,702					-		25,413
March	8,180	3,942	\$3,026		6,968	3,491	1,875	1,704	5,101	12,171	2,859					-		30,178
Quarter	24,221	11,247	3,026		14,273	8,862	5,196	5,333	14,574	33,965	9,275					-		81,734
April	9,407	4,039	2,867		6,906	2,779	2,125	2,110	5,090	12,104	3,442					-		\$31,859
May	8,762	3,960	2,937		6,897	2,217	1,999	1,807	4,638	10,681	2,946	\$3,916	\$161	\$1,040	\$849	\$5,966	\$2,615	37,867
June	9,897	4,327	3,120		7,447	1,999	1,171	1,627	3,290	8,087	1,890	4,365	151	858	830	6,204	2,812	36,337
Cushion Used	28,066	12,326	8,924		21,250	2,000	2,000	300	-	4,300	-	8,281	312	1,898	1,679	12,170	5,427	4,300
	\$100,699	\$23,573	\$11,950		\$35,573	\$34,043	\$23,541	\$21,372	\$54,198	\$132,154	\$74,228	\$8,281	\$312	\$1,898	\$1,679	\$12,170	\$5,427	\$321,201
FY98:																		
July	\$9,455	\$4,077	\$2,052	\$1,085	\$7,214	\$2,366	\$1,520	\$1,372	\$3,939	\$9,297	\$3,415	\$5,038	\$137	\$886	\$951	\$7,012	\$2,801	\$39,194
August	8,829	3,898	2,639	1,112	7,649	2,204	880	778	3,140	7,002	1,860	4,481	95	973	708	6,257	2,555	34,152
September	10,576	4,098	2,130	1,101	7,329	2,127	817	867	3,047	6,858	1,751	2,817	(20)	933	103	3,833	2,734	33,081
Cushion Used						1,345	1,840	2,992	3,074	9,251	3,136							12,387
Quarter	28,860	12,073	6,821	3,298	22,192	8,042	5,157	6,009	13,200	32,408	10,162	12,336	212	2,792	1,762	17,102	8,090	118,814
	\$28,860	\$12,073	\$6,821	\$3,298	\$22,192	\$8,042	\$5,157	\$6,009	\$13,200	\$32,408	\$10,162	\$12,336	\$212	\$2,792	\$1,762	\$17,102	\$8,090	\$118,814

PHYSICIAN SERVICE REVENUE ANALYSIS
AHERF
 (\$000's)

	AGH	AIHG	AUHS	MCPH	EPH	BCH	HH	MSH	CAH	Total
FY97:										
July	\$47	\$8,265	\$11,468	\$231	\$8	-	-	-	-	\$20,019
August	48	7,605	12,376	157	19	-	-	-	-	20,205
September	46	8,257	12,376	87	6	-	-	-	-	20,772
Quarter	141	24,127	36,220	475	33	-	-	-	-	60,996
October	48	8,724	14,294	111	(3)	-	-	-	-	23,174
November	46	7,966	12,881	127	25	-	-	-	-	21,045
December	48	9,243	12,090	104	33	-	-	-	-	21,518
Quarter	142	25,933	39,265	342	55	-	-	-	-	65,737
January	48	8,960	14,051	124	(9)	-	-	-	-	23,174
February	43	9,711	13,683	100	12	-	-	-	-	23,549
March	48	8,963	14,427	196	23	-	-	-	-	23,657
Quarter	139	27,634	42,161	420	26	-	-	-	-	70,380
April	46	12,346	14,035	130	13	-	-	-	-	26,570
May	48	17,339	14,466	119	15	-	-	-	-	31,987
June	45	11,724	15,116	134	20	-	-	-	-	27,039
Cushion Used	-	-	2,000	-	-	-	-	-	-	2,000
	139	41,409	45,617	383	48	-	-	-	-	87,596
	<u>\$561</u>	<u>\$119,103</u>	<u>\$163,263</u>	<u>\$1,620</u>	<u>\$162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$284,709</u>

FY98:										
July	\$77	\$15,413	\$14,301	\$111	\$15	-	-	\$76	-	29,993
August	102	13,575	17,803	544	9	-	\$28	26	-	32,087
September	86	14,442	19,739	272	15	-	-	134	\$12	34,700
Quarter	265	43,430	51,843	927	39	-	28	236	12	96,780
	<u>\$265</u>	<u>\$43,430</u>	<u>\$51,843</u>	<u>\$927</u>	<u>\$39</u>	<u>-</u>	<u>\$28</u>	<u>\$236</u>	<u>\$12</u>	<u>\$96,780</u>

EXHIBIT 1627

DB&R

2000 APR 24 PM 12:30

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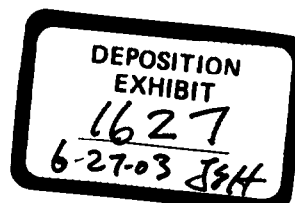
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SEC D

414

Administrative Proceeding
File No.

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

Albert Adamczak, C.P.A.,

Respondent.

OFFER OF SETTLEMENT
OF ALBERT ADAMCZAK

I.

Albert Adamczak ("Adamczak"), pursuant to Rule 240 of the Rules of Practice [17 C.F.R. § 201.240] of the Securities and Exchange Commission ("Commission"), hereby submits this Offer of Settlement ("Offer") in anticipation of the institution by the Commission of public administrative and cease-and-desist proceedings against Adamczak pursuant to Rule 102(e) of the Commission's Rules of Practice and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act").

II.

This Offer is submitted solely for the purpose of settling these proceedings and with the express understanding that it will not be used in any way in these or any other proceedings unless the Offer is accepted by the Commission. If the Offer is not accepted by the Commission, the Offer is withdrawn without prejudice to Adamczak and shall not become a part of the record in these or any other proceedings, except for the waiver expressed in section V. with respect to Rule 240(c)(5) of the Commission's Rules of Practice [17 C.F.R. § 201.240(c)(5)].

III.

Adamczak hereby admits the jurisdiction of the Commission over him and over the matters set forth in the Order Instituting Public Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Making Findings, Imposing Sanctions and Imposing a Cease-and-Desist Order ("Order").

SEC D 415

IV.

On the basis of the foregoing, Adamczak hereby:

A. Consents, solely for the purpose of these proceedings and any other proceeding brought by or on behalf of the Commission or in which the Commission is a party and without admitting or denying the findings contained in the Order except for those set forth in subparagraph A.1. below, which are admitted, to the entry of the Order by the Commission making the following findings:¹

1. Albert Adamczak, age 40, is a certified public accountant licensed in Pennsylvania. He became Vice President of Corporate Support Services (the "Accounting Department") for Allegheny Health Education and Research Foundation ("AHERF") in June 1997, reporting directly to AHERF's Chief Financial Officer ("CFO"). Prior to his promotion in June 1997, he served as a senior director of accounting for AHERF and AHERF's western subsidiaries. Adamczak worked as an accountant for a large accounting firm for eight years prior to joining AHERF.

2. AHERF is a Pennsylvania nonprofit healthcare organization formed in 1983. Until recently, it was the parent holding company and sole member or owner of numerous subsidiaries.² On July 21, 1998, AHERF instituted bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code on behalf of itself and four of these subsidiaries in the U.S. District Court for the Western District of Pennsylvania.

3. From 1987 to 1997, AHERF expanded rapidly, acquiring other non-profit healthcare organizations, including several in the Philadelphia metropolitan area: the Medical College of Pennsylvania, United Hospitals, Inc., Hahnemann University Hospital and the Graduate Health System ("Graduate"). The acquired entities became direct or indirect subsidiaries of AHERF.

4. As an umbrella holding company, AHERF managed and provided centralized corporate support services for the acquired entities, but did not assume liability for their pre-existing debt. The obligation to repay debt within AHERF was placed on collections of one or more of its non-profit subsidiaries known as "obligated groups." By 1997, AHERF had five obligated groups: Allegheny General Hospital ("Allegheny General"), Allegheny University Medical Centers, Delaware Valley, Allegheny Hospitals, Centennial ("Centennial"), and Allegheny Hospitals, New Jersey.

¹ The findings herein are made pursuant to Adamczak's Offer and are not binding on any other person or entity in this or any other proceeding.

² AHERF's underlying entities are referred to as "subsidiaries," although technically AHERF was their sole "member", not a shareholder.

5. By the time of the bankruptcy in July 1998, AHERF's obligated groups were responsible for, at least, thirteen bond issues, with outstanding debt of more than \$900 million.

6. Pursuant to contractual obligations, the obligated groups, through AHERF as their agent, provided to nationally recognized repositories annual Secondary Market Disclosure Reports ("Disclosure Reports") containing audited financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), debt coverage ratios and other information with respect to certain of its obligated groups. These Disclosure Reports were made available to the public through these repositories and were the most easily accessible source of information for investors and potential investors in AHERF bonds.

7. From at least June 1997 through July 21, 1998, AHERF's financial reporting function, including the initial preparation of financial statements, was primarily handled by the Accounting Department, which reported to Adamczak. Significant aspects of the financial reporting function also were the responsibility of other departments or entities within AHERF.

8. As a member of AHERF management, Adamczak participated in most, if not all, significant decisions affecting the financial statements of AHERF and its subsidiaries. Subject to AHERF's chief financial officer, he oversaw AHERF's accounting department. He further was responsible for the accuracy of the numbers in the financial statement, and received and reviewed drafts of AHERF's 1997 consolidated Disclosure Report.

9. On or about February 6, 1998, AHERF distributed its 1997 audited consolidated financial statements with consolidating schedules and consolidated Disclosure Report to the nationally recognized repositories and numerous other third parties.

10. AHERF's audited consolidated financial statements with consolidating schedules for the year ended June 30, 1997, purportedly prepared in accordance with GAAP, were materially false and misleading and failed to comply with GAAP in that:

- a. they materially overstated AHERF's 1997 consolidated net income; and
- b. they materially overstated Delaware Valley's 1997 net income.

11. AHERF's 1997 consolidated Disclosure Report was materially false and misleading in that:

- a. it mirrored the numerical misstatements in the AHERF 1997 audited consolidated financial statements and consolidating schedules;

- b. it materially misrepresented the condition of Delaware Valley accounts receivable; and
- c. it materially misrepresented the financial condition of Centennial.

12. From at least June 1997 through July 21, 1998, Adamczak willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in that he, directly or indirectly, in connection with the purchase or sale of securities, namely, AHERF bonds, by use of the means or instrumentalities of interstate commerce, or the mails: (1) employed devices, schemes or artifices to defraud; (2) made untrue statements of material fact and omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in acts, practices and courses of business which operated as a fraud and deceit upon persons, including the purchasers and prospective purchasers of such securities. Such violations include Adamczak's deliberate and/or reckless misrepresentation or failure to disclose, directly or indirectly, to investors:

- a. the overstatement of AHERF's consolidated net income at June 30, 1997 because of the failure to adjust Delaware Valley's reserve and expense accounts related to uncollectible receivables in accordance with GAAP;
- b. the overstatement of Delaware Valley's net income at June 30, 1997 because of the failure to adjust Delaware Valley's reserve and expense accounts related to uncollectible receivables in accordance with GAAP;
- c. the overstatement of AHERF's consolidated net income at June 30, 1997 because of the misclassification of certain restricted funds;
- d. the misrepresentation of the condition of Delaware Valley accounts receivable in AHERF's 1997 consolidated Disclosure Report, including the misrepresentation of the reason for the decrease in net patient accounts receivable; and
- e. the misrepresentation of Centennial's financial condition in AHERF's 1997 consolidated Disclosure Report, including the misrepresentation of the reasons for certain Centennial restructuring costs and for the change in Centennial intercompany account balances from a receivable position to a payable position.

B. Consents to the entry of an Order by the Commission which:

- 1. Orders Adamczak to cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; and
- 2. Orders, effective immediately, that:

a. Adamczak is denied the privilege of appearing or practicing before the Commission as an accountant.

b. After three (3) years from the date of this Order, Adamczak may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

(1) a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

(2) an independent accountant. Such an application must satisfy the Commission that:

(i) Adamczak, or the firm with which he is associated, is a member of the SEC Practice Section of the American Institute of Certified Public Accountants Division for CPA Firms ("SEC Practice Section");

(ii) Adamczak, or the firm, has received an unqualified report relating to his, or the firm's, most recent peer review conducted in accordance with the guidelines adopted by the SEC Practice Section; and

(iii) As long as Adamczak appears or practices before the Commission as an independent accountant he will remain either a member of the SEC Practice Section or associated with a member firm of the SEC Practice Section, and will comply with all applicable SEC Practice Section requirements, including all requirements for periodic peer reviews, concurring partner reviews, and continuing professional education.

C. Consents, in connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, that Adamczak (i) will produce documents and provide interviews at the request of the Commission staff; (ii) will accept service by mail of subpoenas for documents or testimony at depositions, investigative testimony, hearings or trial; (iii) waives the territorial limits on service contained in Federal Rule of Civil Procedure 45 or applicable local rules for such subpoenas; and (iv) appoints Michael J. Holston, Esquire, and Isabel Lopez, Esquire, Drinker Biddle & Reath LLP, One Logan Square, 18th and Cherry Streets, Philadelphia, Pennsylvania 19103, his attorneys in this matter, as agents to receive such service.

D. The Commission's review of an application by Respondent to resume appearing or practicing before the Commission may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent's character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

V.

By submitting this Offer, Adamczak hereby acknowledges his waiver of those rights specified in Rules 240(c)(4) and (5) of the Commission's Rules of Practice [17 C.F.R. § 201.240(c)(4) and (5)]. Consistent with the provisions of Rule 202.5(f) [17 C.F.R. § 202.5(f)], Adamczak waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein.

VI.

Adamczak hereby states that he has read and understands the foregoing Offer and that final acceptance by the Commission of this Offer will only be by its Findings and Order and Opinion, if any, issued in these proceedings. Adamczak further declares that this Offer is made voluntarily, and that no promises, offers, threats, or inducements of any kind or nature have been made by the Commission or any member, officer, employee, agent, or representative of the Commission in consideration of this Offer or otherwise to induce Adamczak to submit this Offer.

VII.

Adamczak understands and agrees to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings" [17 C.F.R. § 202.5]. In compliance with this policy, Adamczak agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in the Order or creating the impression that the Order is without factual basis. If Adamczak breaches this agreement, the Division of Enforcement may

petition the Commission to vacate the Order and restore this proceeding to its active docket. Nothing in this provision affects Adamczak's: (i) testimonial obligations or (ii) right to take legal positions in litigation in which the Commission is not a party.

Dated: _____, 2000

Respectfully submitted,

Albert Adamczak
Albert Adamczak

Commonwealth of _____)
County of _____)

ss.

On this the ____ day of _____, 2000, Albert Adamczak, being known to me as the individual who executed the foregoing Offer of Settlement, personally appeared before me and did duly acknowledge to me that he/she was authorized to and did execute the Offer of Settlement on behalf of Albert Adamczak.

NOTARY PUBLIC

My Commission expires:

EXHIBIT 1633

Transcription of Shorthand Notes of Carol Gordon - Finance Committee,
December 2, 1996

NOTE from transcriptionist:

() means I did not write anything in that spot at the meeting.

_____ means I cannot read it now.

_____ ? means I do not know who said it.

Meeting began 10:00 A.M.

Mr. Barnes noted that there were two additions to the agenda.

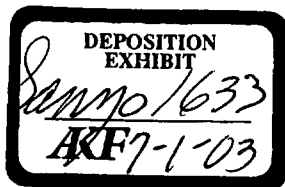
Minutes approved.

III. B. Results of Operations - September

Abdelhak: Page 11 - results are very close to budget in many respects; slightly ahead in revenue; expenses below budget in several areas. We experienced a better quarter and better first six months. Many of the things we anticipated seeing later in the year at AGH are better. In addition, the strength of the position of hospitals in Philadelphia in the market place continues to pay off. Not as many distractions as last year. Optimistic that we will have a great year.

McConnell: Highlight key numbers. Admissions through September are 2% ahead of budget; total actual 7½ % ahead of last year. Increase in business is what driving results to this point. Sent September statements out previously.

Barnes: As you look at Page 11, I want to talk about net income issue. Last year was toughest year in this corporation since World War II from bottom line. Quantitatively, earnings were unimpressive. Management has been working very hard; we have to get the earnings up in this corporation. There tends to be a casual atmosphere on this issue. We are \$3 million in the first quarter. We have \$26 million of depreciation and amortization which tends to make things look good. Balance sheet shows \$8 million of long term debt. Regarding cash flow, this is the only cash we have to do everything. In an asset base such as we have, this is no money at all to keep the plant modern and to do new things. Profitability is exceedingly important because it is the only real cash flow we have to work with. The point of this is that, as a team, we have to work hard to get this profitability up. We should have reported \$20 million of operating profit, not \$3 million. Know we all understand this point, but I want to underscore this point again.



- Abdelhak: Page 13 - You will see that cash has actually declined, and it is because we didn't expense a variety of things (see next page), acquisition of physician practices, equipment, and other things are assets that decline.
- Neuwirth: How do assets decline?
- Abdelhak: The point is, if we were making money, those assets should be going up.
- McConnell: There is a detailed accounting issue, FASB 124. It is the opportunity to recognize gains in your portfolio and run it through your P&L. With the change in accounting, we are able to take those right actions and take them back to the balance sheet. These are adjustments to the statements. In the future, we will be able, on any portfolio, we can run the values up and down on the balance sheet rather than having a volatile P&L. We are making adjustments to bring it into conformance with proposed audit guidelines.
- Neuwirth: What about receivables?
- McConnell: We are at 88 days of revenue in receivables. Those numbers continue to drop. Nationally, there are increases in Accounts Receivable, and we have continued to make improvements in our system. However, that doesn't affect the generation of cash or the use of cash.
- Abdelhak: A Trustee in another meeting focused on that issue (Page 11, prior year variance), looking at last year's revenue against this year's revenue, and there is a \$20 million increase in Accounts Receivable. Obviously, that is a legitimate concern, which is continuously being monitored. There is also bad debt, which was broken out in a couple of other entities and one Trustee was complaining that the total free care or short pay was 2% or something like that. Yet the bad debts were 12%. Question was, where was the other 10% coming from? I would like to address that - we are continuously giving up on that infamous advance conversion that we got into and we have a lot of concern about when you clean up your receivables and how long do you keep them on the receivable end of things, and that issue is still lacking significantly. We should monitor our other income (talked about billing here - Medicaid and Medicare); there are practically millions of transactions that occur daily.
- Barnes: Strategy was right - you had a standard set of operating systems. Implementation was terrible.
- Abdelhak: We should have a 5% bottom line excluding AIHG and the University.
- Barnes: Important that the Finance Committee be missionaries at this point, because I

don't think it is a common view that we make money.

Abdelhak: It is the only means we have to pursue our end.

Abdelhak: For future meetings, let's keep two things reported on: Bad debts and Accounts Receivable - have them tracked every quarter so we don't have any questions.

Neuwirth: Asked about investment income.

McConnell: We have had good returns in the market this quarter, but this will not continue.

Abdelhak: That is part of the management of assets; Treasury people have done a good job.

Statements accepted.

III. C.

McConnell: By way of introduction, 2½ when we put current investment.....

CG Note: I missed some comments here.

McConnell: Talked about pension plan. Historically, AGH had a significantly over funded pension plan. Since 84, we have placed no cash in the pension plan. As we have acquired other organizations, we set up an AHERF pension plan structure. We now have all AHERF in one combined pension plan, and its funding approximates its liabilities. We looked at revising the policies. We have taken a look at the policies and taken a look at our business and have made some revisions to our investment policies. Revisions are minor, but they are important and will put us on the track to have slightly less risk in our portfolio.

Patejunas: We spent a lot of time reviewing policies. Will hit highlights. Referred to page 16 in booklet. In mid-94, the current policy was established. Worked with AHERF management to jointly review policies in view of current circumstances. Conclusion was that policies were in pretty good shape but with modest modification they could be improved. Page 17, pension investment policy. Policy allocation (referred to it), recommendation is to change allocation (reviewed it); overall impact is to reduce risk slightly, to enhance diversification. Rationale is primarily actuarial. Recommended policy is very typical. We are recommending move from more aggressive approach to typical. Talked about move of 10% to 15% allocation in foreign stocks. Foreign markets are much larger than United States. Average allocation going up all the time and, importantly, foreign stocks provide good diversification benefit. Talked about these benefits, etc. Page 18 shows the returns of certain indices over 15 years.

Page 19 talks about endowment policy - not much of a change here; moving foreign stock up again, same rationale. Page 20 shows the recommended policy illustrated. Shows dollar growth. Page 21 - funded depreciation. Original policy took into account several factors, including the practices of other hospitals as well as the likelihood of needing to draw down on these funds. Noted there have been some large cash flows.

Barnes: Any questions or comments?

Neuwirth: Questions. Looking at the proposed diversification into higher percentages in foreign trade securities, why does that necessarily give us more diversification? Don't we have sufficient diversification among the over 5,000 securities in the United States when the return is no lower than foreign owned securities, and isn't there a high risk just because we are dealing off shore?

Patejunas: There is enough diversification in the United States. Foreign allocation is to provide a smooth series of returns and to protect against the crash of 1987. Foreign market is an anchor for periods when the U.S. market is not the best to invest in. Real rationale is to make it smoother.

Neuwirth: If we do not need to use principal, I still don't understand.

McConnell: Talked about the flow of the pension fund, fluctuating widely - there is more predictability in what you need to contribute to pension fund.

Neuwirth: Another case relates to allocation to bonds.

McConnell: Allocation to bonds is another way to lower the risk. We are looking for ways to cut back on risk. Both allocation and foreign stock allocation is to reduce volatility.

McConnell: With the pension fund, you also have to make monthly distributions of cash. Talked about the pension fund years ago - and the ideas that Mr. Barnes suggested.

Nimick: Typical pension fund - the income is going to take current payments if you have a young work force. In talking about foreign stocks - are we talking about developing countries, or what?

Patejunas: We are talking about developed countries (Pages 95-98).

Abdelhak: I think you are really talking Europe, principally.

_____ ? If that is the case, the figures for returns are exaggerated because these include Japan and the far east.

Abdelhak: What does the fund include? Does it include Japan, Far East, Australia?

McConnell: Yes, you have all countries.

Neuwirth: I expect that by investing off shore we increase risk.

Patejunas: Talked about the managers who manage the funds and the good returns they are getting.

Abdelhak: What is important is that we are not investing in countries that are generally unstable. Next time, let's devote a few minutes to how our managers have done in comparison to ().

_____ ? In future, could we get Ennis Knupp's report at the same time we get the agenda?

Resolution approved.

III. D.

McConnell: Over the last several months, Mike has been working toward consolidating the various lines of credit that Allegheny operating entities have throughout the system. This is a resolution authorizing AHERF to enter into this agreement. We have \$83 million worth of lines of credit open with various banks. They all have different administrative covenants, different reporting, and different costs. By consolidating, we estimate we can save 70 basis points on the borrowing, which is about \$400,000 - \$500,000 per year. What we are attempting to do is set up AHERF as a manager of this line of credit. Any borrowings would be directed to the operating units' credit. Each operating unit would need to sign a note with AHERF, which would then be passed on to the lender. We have negotiated good terms. Mike has bid this with all of the banks in town. PNC has done a good job in the past. For this process, Mellon has come forward with the best opportunity. This is a good time to establish a relationship with Mellon. There is still enough business in the organization for PNC. Not asking for a higher line.

Moved.

Neuwirth: Will PNC still retain some of our business?

McConnell: Yes.

Martin: From a lending perspective, that is the majority of our business; gave that exposure to us on some letters of credit on outstanding debt and some other term loans. This brings Mellon up to a more serious level. They will have about \$35 million of exposure.

McConnell: We are going to try to work with Mellon to see who they lay this exposure off on. Just asking authorization to enter into the lines of credit.

Abdelhak: As a matter of policy, we try to deal with all of the major banks and, in fact, we have been trying to find something to do with Mellon.

Barnes: PNC has been very good to us and we are appreciative of all they have done for the organization and will make sure they are well taken care of and we expect them to be important in the future.

Approved.

IV. A.

Martin: Will turn this over to Doug. As we have in the past, we typically have Ennis Knupp to review this and give us the grand picture.

Patejunas: Page 8 in grey book: For each of the major fund groups, we have a year to date number which is recent performance. Page 8 - talked about returns; compared to benchmarks. Turned to page 9, Page 10 - returns of the endowments broken into three groups: Pittsburgh based AGH, MCP, SCHC. Table here uses investment pool in front of MCP, SCHC. Monies have been pooled recently. Page 11 shows AHERF short term assets. Page 12 - insurance related assets. Page 13 summarize - recapping year to date results for all funds. Only two are behind their benchmarks. All others are ahead.

McConnell: Pleased with the guidance Doug Patejunas has given us. No other questions.

Neuwirth: Thank you for the grey book.

IV. B.

Martin: Informational piece on AHERF charity care endowment. Page 30 begins the information. Information lays out value of this fund over the period of the past

three fiscal years and includes information for Fiscal Year 97 to date. Fund has grown substantially over time period as a result of funds flowing into endowment. Talked about some results. We have estimated income will be about \$240,000 for Fiscal Year 97.

Barnes: Why can't it be under the master trust of another account?

Martin: It will ultimately be with another manager. For now, we are staying with Mellon; their returns have been good. Since inception of this endowment, there have been no requests from any AHERF operating entity for distributions out of this fund which reflects our goal of allowing this fund to grow. Operating units are funding these costs.

IV. C.

Martin: We wanted to present to you data about our bond remarketing experience to date. There are two Obligated Groups within the organization - it is the debt that is linked to the AGH Obligated Group and the Delaware Valley obligated Group. They are separate credits. The recent transaction earlier this year consolidated all of their debt into a single credit. We have in the past utilized the variable market. What we get out of this program is access to lower interest rates. The hedge in this program is that we maintain a mix between variable rate and their fixed rate debt. Other point is technical. This paper is backed by letters of credit issued by banks. So it trades not only on our organization but on the bank who issues the letter of credit. See page 34 - compares our experience for AGH Obligated Group; it is remarketed every seven days. Talked about rates we are getting with comparisons in book. Page 35 is a summary information which shows the Pittsburgh Obligated Group has experienced returns under 4% for this kind of paper. No information for Delaware Valley, since that information is relatively new.

Abdelhak: Can we report on this to some of the other boards? There was concern at AGH in terms of the variable debt. I think they may need to see the results. Could also report to the Delaware Valley.

McConnell: We should take it to the other operating units. Wanted committee to see that on an independent basis, we are doing okay.

IV. D.

McConnell: Mentioned this earlier but will summarize. At the Audit Committee meeting, we reviewed audited statements for the system and were concerned about () which required us to adjust our bottom line for the portfolios. This could put us at serious risk should the market swing at the wrong time. There is a new audit

guide which speaks to eliminating this volatility. The audit guide now affects only health care but not universities. Risk is minimized here. Had one-time benefit last year.

Abdelhak: Have you made a decision?

McConnell: Guidelines are proposed. We expect them to become final. We don't really want anything else.

Barnes: Think this is a great step forward.

IV. E.

McConnell: This is here for your review. Audit Committee suggested that we do it with each operating unit.

Neuwirth: Have a question on something else. Looking here seeing the costs of payments for health insurance premiums. What is the potential for us to self-insure?

Abdelhak: Disastrous. We tried it and can't do it. Two years ago, I directed that we buy insurance and we did see a dramatic drop in our costs.

Kasperbauer: It is a competitive market, and this is our best way.

Abdelhak: When it is managed by someone else.

IV. F.

 ? Investment we have made in AIHG, and is there an opportunity for us to get some of that investment back?

Abdelhak: Talked about whether we can maintain the control that we want but nonetheless find something that is marketable in the management of it. At my request, David has made some inquiries, and we will be starting to talk to those people and you will help us and then you can report on it to this committee.

 ? Anything else?

Meeting adjourned 11:20 a.m.

cg
wp:03211
Transcription date: 3-21-2002

EXHIBIT 1642



MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
914 765 3910
Fax: 914 765 3163

Richard L. Weill
President

July 11, 1998

Members of the Board of Trustees
Allegheny Health, Education and Research Foundation
c/o Mr. Anthony Sanzo
President and CEO
320 East North Avenue
Administrative Offices
Pittsburgh, PA 15212

ACERF
SPEC
TIG
A

Dear Board Member:

As President of MBIA Insurance Corporation, insurer of \$300MM of Delaware Valley Obligated Group bonds and \$71MM of Allegheny General Hospital bonds, I am writing concerning the difficult choices currently facing the board of the Allegheny Health Education and Research Foundation (AHERF).

We at MBIA have been given to understand that the Board is considering bankruptcy filings for one or more entities within the AHERF system. We believe such a filing could have highly deleterious effects on the delivery of health care services and education in Pennsylvania. Finally, Mr. Anthony Sanzo, your new Chief Executive Officer, has told us that the board has not actively considered the sale of the whole AHERF system as a means of avoiding a bankruptcy filing.

Our advisors indicate that the sale of the entire system would very likely yield a purchase price well in excess of all the debt. The need for a bankruptcy filing would be obviated, subject to receipt of interim financing, which MBIA would be pleased to consider providing — just as we have already provided interim financing proposals which the board has rejected. Most importantly, health care service delivery and health care education in Pennsylvania could continue unimpeded during this transition period.

We strongly urge you to consider the sale of the entire AHERF system and to contact us regarding the provision of interim financing during the process of sale. As we have indicated previously, we stand ready to meet with the entire Board or a designated group thereof at any time.

Sincerely,

R. Weill /plm

Richard L. Weill



IG 01618

FROM: MBIA IPM 07/12/98 19:39
TO: 9147653799
4122444018 1998.07-12 19:34 #507 P.02/02

EXHIBIT 1648

Transcription of Shorthand Notes of Carol Gordon - Audit Committee,
October 15, 1996

NOTE from transcriptionist:

() means I did not write anything in that spot at the meeting.
_____ means I cannot read it now.
_____ ? means I do not know who said it.

Meeting began 10:00 A.M.

No additions to the agenda.

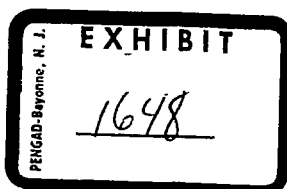
III. A. Summary of Discussions

Summary approved as presented. No resolution.

III. B. 1996 Audited Financial Statements

Buettner: We performed our audit work in accordance with the plan given to the committee in April and followed that plan without any unusual items or surprises. Year of significant change from a financial reporting perspective, because the organization instituted three significant accounting pronouncements which required some restating of prior year (see auditor's opinion, Page 1 of financial statement booklet). Statements 116 and 117 are required statements for all not-for-profit organizations. Net impact of that statement was to have the net assets of the organization increase by \$50 million from prior years under the understanding that certain endowment funds held in other organizations should be reflected on the books for permanent endowment. Statement 125 deals with accounting for investments, and that requires that the organization report all investment activity on the balance sheet at fair market value. During the current year, the adoption of that statement was roughly \$15 million. We were very comfortable with the process that management followed. Have given a clean opinion above and beyond the adoption of those three statements.

Regarding 124, this requires that investments be reflected in a statement of activity (income statement). Doesn't matter how you manage your portfolio, but you have to go through your income statement. The new Health Care Audit Guide will permit hospitals to account for investments in a manner similar to banks. This is on an annual basis. (Much discussion at this point).



Barnes: How much principal do we have invested?

Abdelhak: Maybe David could bring forth a recommendation after his consultation with Coopers & Lybrand.

Barnes:Discussed the value of the endowments - has potential to take a hit in a book loss.

Abdelhak: None of us have an interest in explaining things that we don't have to, whether it is a gain or a loss.

Hernandez: Recommend that we not repeal our investment policy - want to keep these things out of the income statement.

Hilton: Basically, we are not in the trading business.

McConnell: Yes, all portfolios are held for the long term.

Buettner: Assets subject to this rule on the balance sheet are at \$48 million. Page 3, assets that are not long term are \$562 million. Footnote Pages 12-13 tells how much is in common stock.

Abdelhak: Another couple hundred million that will come from the mergers, so we are up to \$8-9 hundred million. David will have a recommendation.

Barnes: Even if we work around the P&L issue, still hate to see a decline in net worth some year.

Buettner: We were not in favor of it. Same rule as banks - their equities are up and down because of interest rate changes.

Buettner: Those three pronouncements have been addressed. This is why we have a single year financial statement also. On Page 4 of the income statement, the organization went through a retirement of debt. Loss of \$32 million incurred under the accounting rules. Below the line. Also shows the impact of 124 adopted change in accounting for investments. Other items in the comment letter in terms of work on receivables, but those are the key points.

Hernandez: Talked about the reason for a one-year financial statement.

McConnell: Thought it easier to focus on one year because of the change in accounting rules.

Thought it more appropriate to show one year - debt markets are more interested in the current year - this is management call.

Buettner: Footnotes include new disclosure because of the adoption of 116 and 117, and we are comfortable with this.

McConnell: Overall comments: This year again we were able to produce internal financial statements that were submitted to the auditors and audited as presented to them and did not have any significant changes. Staff is able to keep abreast of accounting regulation changes, and other work is accurately reflected. Second point with restatement - On Page 4, we continue to talk about what are the true operating returns and with the new format we are able to put all revenue in the revenue section above the line with expenses below the line, so you can read it more clearly. Bill covered everything else.

Any questions?

Also, for all subsidiaries, Obligated Group required reports in the book and are consistent with what has been submitted to the various buyers. For AGH Obligated Group, Page 50, Delaware Valley obligated Group, this is a new format. In the past, we had to present audited Obligated Groups, but with the restructuring of the debt completed in June, this is much easier. AIHG - management suggested we should have AIHG audited because it was so rapidly growing, and did this for internal purposes. ASRI is stand alone, which is necessary due to the research grants. Turn to Tab F - We have required notification from auditors with respect to the debt, which is perfunctory but very important. Any questions on financial statements?

Barnes: It was a pretty tough year financially, experiencing (a) rapid change in the industry, and (b) institutions' reaction to the rapid change, i.e., our occupancy and use level in Delaware Valley vs. market occupancy and use level.

Abdelhak: First level of adjustment after we approved the budget was \$82 million of medical adjustments, roughly \$68 million is non-recurring, and that includes the gains, so it is 82 minus the gains. One time adjustments that we absorbed. AGH had \$1 million because of the Blue Cross contract, because Blue Cross moved 500,000 people. Cost AGH \$27 million. Medicare moved their budget \$20 million. These kind of non-recurring, and in spite of that we had black bottom line. Initially, we anticipated making \$40 million. So initially we made \$88 million from the base of the budget. As far as the market share is concerned, our facilities have seen a 6% increase in market share and competitors have seen

6% reduction in their market share. In Pittsburgh, AGH has seen 6% increase, UPMC (and others) have seen a 6% reduction. In Philadelphia, AUI has seen a 6% increase in market share, and University of Pennsylvania, Jefferson, Temple have seen a 6% reduction. We are clearly building in a declining market. Ability to treat more people and treat them effectively. Advantages are that we are seeing things that are non-recurring so that the first three months' results are stronger than what we anticipated for the system as a whole. This was a tough year, and it has paid off that we were able to absorb that kind of variation and make the adjustment during the fiscal year.

Hernandez: You are saying if you take the \$82 million and subtract, we would have made money on operations.

 ? Initial budget was that we were to lose \$6 million. Calvin was ahead of his budget. Don had a good year because during that year we added 360 new physicians and scientists.

Kaye: This last year in terms of investment growth, start up programs was probably the equivalent of the 20 years prior to that that I have been involved. Extraordinary. Beginning to pay off because we are seeing a sustained increase in volume activity and intensity. Year of major investment which should be able to pay off over the next few years.

Sanzo: Some of you may remember that AGH started off the year with the worst start we had. In March, we were 560 cases behind plan and projected that we would end up that way. As it turned out, things turned around fairly dramatically in April, and by the end of the year we were on plan and recovered all that we lost in the first three quarters and that has continued in Fiscal Year 97. In large measure, that is because of things we put in place last year. Continuing to be successful. Momentum issue here also. Will be concentrating growth in the broad areas of cancer, and hopefully will be able to expand our radiation oncology areas also. Don't see Blue Cross making the kind of shifts they made last year, so we don't see a large reduction in rates except those that are budgeted. And as Internal Audit noted, we have made significant market gains. We are the only hospital who is aggressively recruiting nurses.

Abdelhak: Len had an equally difficult year and surprises with the state there, yet he ended the year ahead of his target. Had projected they would lose \$2 ½ million and came in at \$1.7 million. We are the only University that includes depreciation as an expense. If you could eliminate depreciation as an expense, it was a profitable year.

- Barnes: To wrap it up, institution identified strategy several years ago and has been working vigorously to implement it. Cost a lot of money, but it seems to be working. Keeping hospitals full, think it is important that we all understand, too.
- Abdelhak: These statements are all very conservative. Gains that we show are not all that we have to show. Very conservative. It has been our policy to reflect our statements in conservative fashion so that there is a strong base for it.
- Buettner: Historically, I have indicated to this committee that when management goes through a process of estimation in establishing reserves, there is a need to be conservative. That philosophy is inconsistent among my client base - some folks are much more aggressive, so you are taking a very realistic and conservative approach to addressing some concern. From my own perspective, the vast majority of our clients have had performance problems on the financial statements. Bottom line is done; hurt badly by managed care contracts. The financial picture for other institutions is not as rosy as they would like.
- Barnes: This is an important issue and want to give all of the committee an opportunity to express concerns, etc.
- Cook: Encouraged by increase in market share. As the investments kick in and market share increases, it raises the only operating concern I have is the receivables. Control of process from billing and receiving is in Pittsburgh, and they have my only operating concern.
- _____ ? Request that management give us their guess as to what the CAT fund increase might be.
- Wynstra: 264%, 164 last year.
- Talking about receivables now.....:
- McConnell: Actual Delaware Valley conversions of the receivables to Pittsburgh and to the new software occurred in December-January. As you know from other meetings, we were experiencing increases due to training new people on software and retained outside help to run off the old systems. The blip that we saw was in May. In June, July, and August, they are coming back - not where they need to be. Continue in Pittsburgh to have lowest A/R balance in terms of any hospital. It has become clear in terms of the move to Pittsburgh that it will take a different type of management in the Delaware Valley. Have made changes in accountability. All registration is now under the same people. Takes longer there because of the

differences in the system. Progress is being made. But number was reduced over last year's actual results. All the indicators I see are pointing in the right direction. Not moving backward. I asked Bill to do extra work in the receivables area; feel now that our reserves are adequate. Have made improvement. Coopers & Lybrand has done additional work to make sure nothing major would fall through the crack. Have retained Deloitte & Touche to verify our charge system. Testing it from multiplicity of angles. When we are done and you ask if it was the right thing to change software and the move to Pittsburgh at the same time - many decisions there with the move and the software change. There might have been a less bad way to do it.

Buettner: We did perform additional work in the receivables area from a control perspective and from an individual billing review perspective. Findings outlined in comment letter. We are comfortable with the process management is following to establish reserves. Observations relate more to the process than to the accounting control. Confusion in registration - new process, appropriate data, lot of bills coming back due to insufficient data. Follow up, etc. Problems came through registration. Some inconsistency in terms of following up on legitimate bills. Centralizing billing, particularly in the Delaware Valley, makes a lot of sense. We believe that move, along with some intense education with managed care will resolve situation.

Abdelhak: We are processing one million transactions per month. The volume is incredible. So we try to simplify it. Unfortunately, we are also regulated and are obliged to give details on bills. With those large numbers, unfortunately, errors occur. Difficult problem; we are working at it. We are moving toward on line bill to third parties. (Reviewed how errors occur).

Kaye: Talked about careers which have sub-divided themselves into multiple contracts.

McConnell: 285 different managed care contracts. To the point: We now do about 80% same day screening of bills, which saves the 30-40 day lag of the bills going to the insurance company. Additional training needed.

Abdelhak: Giving a context of what we are dealing with here. Called on all board members for comments.

Resolution, Page 10. Approved.

Abdelhak: Bill, the format you used in the statements is not helpful because many people rely on the statements (working with St. Chris, etc.). If we don't present it in the

most constructive way, it is harmful to us. I will talk to David later before we print any more, and we may change presentation.

III. C. Report on Internal Controls

Buettner: This letter is required to be filed with the institution's Medicare cost reports. Noted no items of material weaknesses and material weakness is defined in Paragraph 3 of the letter. Basically, it is a clean letter.

Resolution approved.

IV. A. Management Letter

Buettner: Page 17, we have a comment on revenue in Accounts Receivable, and the items we have already talked about on Pages 17-18. Pages 20-22 is overview of work in Tony's area and our findings. Only one comment is testing of disaster recovery. Very comfortable with control environment in EDP area. Dramatic improvement. Pages 24-26, general comments that we would like to pass on: page 24, certain areas that we believe need improvement in Human Resources and Payroll (changes in the master file of the Payroll system). Have a lot of employees (new hires and transfers) - Catching up with paper flow, 300 manual checks and edit reports not being reviewed on timely basis.

Barnes: A lot of the stuff is common sense stuff. Let's not spend time here.

Buettner: We have reviewed management response in each case and are comfortable. Unless you have questions

(Page 26, Hernandez - what don't you agree with? Tony answered).

IV. B.

Buettner: Letter is one we are required to issue. We talked about every item included in the letter. If you have any questions, we will answer.

IV. C.

McConnell: Years ago, David suggested we need to keep Audit Committee aware of policies and real risks to the organization. Nationally, the government is taking a very strict and asinine view of physicians' billing and inappropriate bills. We have seen audits with several major teaching institutions (Penn, Jefferson). Basically, government is coming in and reviewing your approach to billing from a documentation and compliance review. Very specific, vague requirements. They are auditing this - if there is any aberration, they are saying you fraudulently

billed. They started this by using OIG auditors. Lot of hue and cry about quality of auditors. Now they have a program called PATH 2, which is a program where you, as a teaching hospital, select an outside audit firm on their approved list who has not done work for you in the past - would come in, do the audit, work on behalf of government; you pay the bill; anything you gain goes to government, anything under that, you pay the government. Much of it becomes review of the government as to what they find. If you take it seriously and findings are not flagrant, you are inclined to get double damages. If it is flagrant, you would go higher.

We are making sure we have good policies; that we educate our physicians so that when our time comes, government has to find that any errors we have are purely clerical. We have reviewed hundreds of physician practices, and they always have errors. Have meeting scheduled later this month to talk about scope of review. They review charts from 94, review 100 charts and extrapolate it back to your organization.

Abdelhak: Talked about Penn.

McConnell: Talked about how the government is viewing the way in which we did our procedures.

Barnes: This may be a PR issue, but not material.

IV. D.

Schrecengost: Did an audit of the matched savings plan. Excellent plan. Audit has been time consuming because of complexity of plan. Have identified certain items which are compliance related and decided to take advantage of program offered by IRS in which you come forward and disclose errors to IRS. We felt it was best alternative to protecting matched savings plan. Document was authored by Coopers & Lybrand with assistance by outside actuarial experts and Human Resources. We are recommending that we have a sanction amount of \$27,000. Our letter is included in report. Audit report will be at the next meeting. We are putting _____ behind us.

IV. E.

Wynstra: Most of you have heard this presentation. I will answer questions.

IV. F.

Schrecengost: Includes summary of Audit Services' activity. Have given summary of each

project and included for more detail Summary of Executive Management. We are focusing heavily on billing areas and compliance areas. This is consistent with the work plan.

Hilton: Is overall reaction favorable and cooperative?

Schrecengost: Yes, it is amiably cooperative. Have no problem at all. Management concurs with our plans.

Hernandez: Page 63 Audit - Cafeteria - What were the employee sanctions? This audit was conducted by management. We helped summarize things management uncovered. Terminations of people. Disciplinary actions. People who were dealing have been terminated. Those who were out were in Employee Assistance Plan.

Cook: Asked for update on organization chart in Pittsburgh and Delaware Valley.

Meeting adjourned 11:28 a.m.

Executive session? No from Coopers & Lybrand.

cg

wp:03201

Transcription date: 3-20-2002

EXHIBIT 1661

**ALLEGHENY HEALTH, EDUCATION
AND RESEARCH FOUNDATION**

**AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR 1996**

**ALLEGHENY
HEALTH,
EDUCATION AND
RESEARCH
FOUNDATION**



JB 01602

**AUDITED FINANCIAL STATEMENTS
AND RELATED REPORTS FOR
AHERF AND SUBSIDIARIES**

	<u>TAB</u>
Allegheny Health, Education and Research Foundation	A
Allegheny General Hospital	B
Allegheny Health, Education and Research Foundation - Delaware Valley Obligated Group	C
Allegheny Integrated Health Group	D
Allegheny-Singer Research Institute	E
Debt Compliance Letters	F

A

JB 01604